



JYOTI

Sector: Capital Goods-Non Electrical Equipment

Issue Opens - January 9, 2024 to January 11, 2024

Price Band
₹315 to ₹331

Face Value
₹2

Lot Size
45 Shares

Issue Size
₹1000.00 Cr

Issue Type
Book Built

Research@ganeshstock.com

Important Events



Issue Size

30,211,480 shares / ₹1,000.00 Cr

Fresh Issue

30,211,480 shares / ₹1,000.00 Cr

Offer for Sale

N/A

Basis of Allotment

Friday, January 12, 2024

Initiation of Refunds

Monday, January 15, 2024

Credit of Shares to Demat

Monday, January 15, 2024

Jyoti CNC IPO Listing date

Tuesday, January 16, 2024

Promoters

- **Parakramsinh Ghanshyamsinh Jadeja (Chairman and MD)**
- **Sahdevsinh Lalubha Jadeja (Whole time director)**
- **Vikramsinh Raghuvirsinh Rana (Whole time director)**
- **Yogesh Damodardas Kathrecha (Independent Director)**

Promoters collectively hold 72.66% (Pre Issue) of the Equity Share.

Sources: DHRP

About The Company.



Jyoti CNC Automation Limited, a titan in India's machine tool industry, crafts high-precision CNC machines for diverse industries. Since its humble beginnings as gearbox manufacturers, Jyoti has evolved into a leading innovator, designing and building CNC turning centers, vertical machining centers, and even sophisticated 5-axis machines. With a dedication to quality and a focus on customization, Jyoti caters to both domestic and international markets, powering up factories across aerospace, auto, and many more sectors. Their commitment to technology and skilled workforce positions Jyoti as a reliable partner in shaping the future of precision manufacturing.

Description of Their Business

They're a top CNC machine manufacturer globally, ranking second in India and twelfth worldwide. In 2022, they held the second-largest market share in India at about 8%. Specializing in simultaneous 5-Axis CNC machines, they offer a diverse CNC machine portfolio in India, including Turning Centers, Turn Mill Centers, Vertical and Horizontal Machining Centers, and more. With over two decades of experience and robust R&D, they provide tailored solutions to industries like aerospace, defense, automotive, general engineering, EMS, dies, molds, and more.

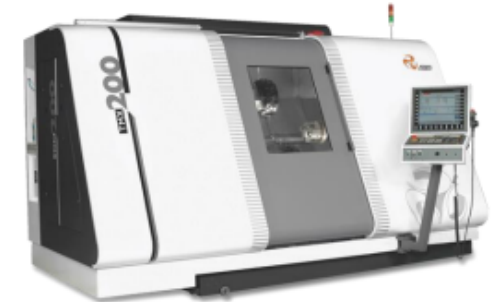
Their streamlined operations are crucial for offering up-to-date and customized solutions. This approach has won them clients like Space Applications Centre - ISRO, BrahMos Aerospace Thiruvananthapuram Limited, Turkish Aerospace, Uniparts India Limited, AVTEC Limited, Tata Advances System Limited, Tata Sikorsky Aerospace Limited, Bharat Forge Limited, C.R.I. Pumps Private Limited, Kalyani Technoforge Limited, Shakti Pumps (India) Limited, Shreeram Aerospace & Defence LLP, Rolex Rings Limited, Orbit Bearings India Private Limited, Omnitech Engineering Private Limited, Harsha Engineers International Limited, Bosch Limited, HAWE Hydraulics Private Limited, Festo India Private Limited, Elgi Rubber Company Limited, National Fittings Limited, and Aequs Private Limited.

Their consistency in quality has been acknowledged by Economic Times, which has awarded them the title of Best Metal Cutting Brands for five consecutive years, from 2018 to 2022.

The pictures below are examples of our CNC Turning/ Turnmill centers manufactured by us.



The pictures below are examples of vertical machining centers manufactured by us.



Objects of The Offer

The Company proposes to utilize the Net Proceeds towards the funding of the following objects:

- To fund working capital requirements.
- To prepay or repay full/partial borrowings obtained by the company.
- General corporate purpose.

Track Record Of Financial Performance

Set out below are some of our financial metrics on a consolidated basis.

Particulars	As of and for the year ended March 31,		
	2023	2022	2021
Revenue from Operations (₹ million)	9,292.59	7,464.87	5,800.59
Gross Profit (₹ million) ⁽¹⁾	3,966.46	3,268.02	2,611.04
Gross Margin (%) ⁽²⁾	42.68%	43.78%	45.01%
EBITDA (₹ million) ⁽³⁾	973.79	726.62	316.89
EBITDA Margin (%) ⁽⁴⁾	10.48%	9.73%	5.46%
Profit for the Year (₹ million)	150.60	(483.00)	(700.29)
PAT Margin (%) ⁽⁵⁾	1.58%	(6.44%)	(11.87%)
Total Equity (₹ million)	820.63	411.54	1,125.86
Total Current Assets (₹ million)	11,794.20	9,569.31	9,887.27
Total Non-Current Assets (₹ million)	3,359.61	3,293.04	3,994.65
Total Assets (₹ million)	15,153.81	12,862.35	13,881.92
Return on Equity (%) ⁽⁶⁾	18.35%	(117.37%)	(62.20%)
Return on Capital Employed (%) ⁽⁷⁾	9.50%	4.85%	0.47%
Gross Block (i.e. cost of property, plant and equipment, right to use assets, capital work-in-progress, cost of intangible assets and intangible assets under development) (₹ million)	7,313.29	6,921.46	7,490.69
Gross Fixed Assets Turnover Ratio (in times) ⁽⁸⁾	1.27	1.08	0.77

order book and revenues from sale of machinery split across the various end-user industries, as specified to us at the time of supply of machines:

End-user industries*	Order Book* as of June 30, 2023 (in ₹ million)	Fiscal 2023		Fiscal 2022		Fiscal 2021	
		Revenue from sale of machinery (in ₹ million)	As a % of revenue from sale of machinery	Revenue from sale of machinery (in ₹ million)	As a % of revenue from sale of machinery	Revenue from sale of machinery (in ₹ million)	As a % of revenue from sale of machinery
Aerospace and Defence	18,394.60	1,730.74	20.32	512.30	7.52	978.44	19.03
Auto & Auto Components	3,967.19	3,975.84	46.68	2,689.93	39.47	1,836.61	35.72
General Engineering	3,261.93	1,667.77	19.58	1,900.29	27.88	1,254.16	24.39
Dies & Moulds	1,545.92	765.72	8.99	660.42	9.69	321.99	6.26
EMS	2,602.50	1.50	0.02	-	-	-	-
Others	1,658.41	375.54	4.41	1,052.71	15.45	750.87	14.60
Total	31,430.56	8,517.10	100.00	6,815.65	100.00	5,142.07	100.00

As certified by our Statutory Auditors, G. K. Choksi & Co. pursuant to a certificate dated August 30, 2023.

* As per the end-user industries as specified to us at the time of supply of machines

Statement of Profit and loss

(All amounts in INR millions, unless stated otherwise)

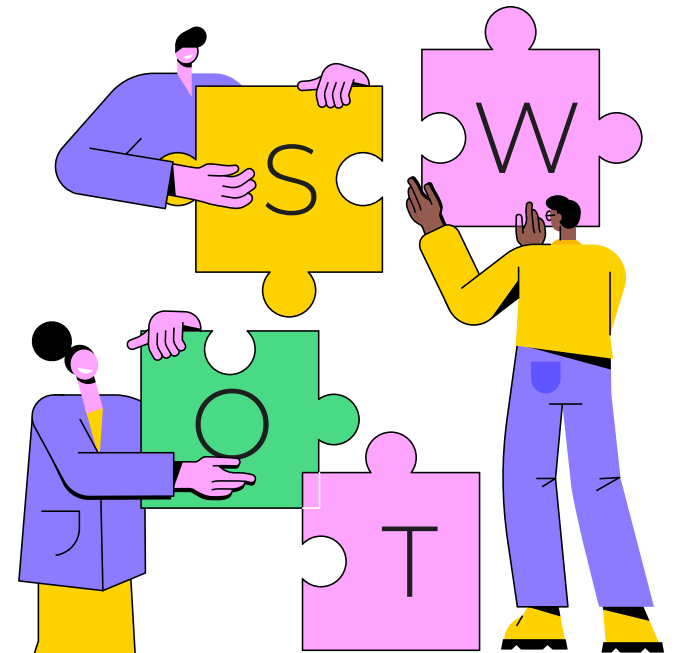


Particulars	For the year ended		
	March 31, 2023	March 31, 2022	March 31, 2021
Revenue			
Revenue from operations	9,292.59	7,464.87	5,800.59
Other Income	233.41	35.74	100.33
TOTAL INCOME	9,526.00	7,500.61	5,900.92
Expenses			
Cost of materials consumed	6,795.30	4,187.80	4,638.57
Changes in inventories of finished goods and work-in-progress	(1,469.17)	9.05	(1,449.02)
Employee benefits expense	1,662.40	1,418.36	1,313.86
Finance costs	897.02	821.99	755.12
Depreciation and amortization expense	336.18	357.86	377.84
Other expenses	1,330.28	1,123.04	980.28
TOTAL EXPENSES	9,552.01	7,918.11	6,616.65
Profit before tax and exceptional items	(26.00)	(417.50)	(715.73)
Exceptional Items[#]			
Profit on Waiver of Loan	304.50	-	-
PROFIT BEFORE TAX	278.50	(417.50)	(715.73)
Current tax	135.80	65.00	-
Prior Year Tax	0.50	-	-
Deferred tax	(8.40)	0.50	(15.44)
	127.90	65.50	(15.44)
PROFIT FOR THE YEAR	150.60	(483.00)	(700.29)
OTHER COMPREHENSIVE INCOME			
Other comprehensive Income			
Items that will be reclassified to profit or loss			
- Foreign Currency Translation Reserve	10.90	(78.10)	(45.39)
Items that will not be reclassified to profit or loss			
- Remeasurement gains/ (losses) on post-employment defined benefit plans	(2.70)	(0.40)	(2.25)
Total Other Comprehensive Income/ (loss)	8.20	(78.50)	(47.64)
Total Comprehensive Income for the Year	158.80	(561.50)	(747.93)
Earnings per share: (of ₹ 2)			
Basic	0.10	(0.33)	(0.48)
Diluted	0.10	(0.33)	(0.48)



Strengths

- The company is one of the leading CNC machine manufacturing companies globally and in India.
- It has a well-diversified global customer base spread across various industries.
- Strong R&D focus and tech ability to deliver innovative solutions.
- The company has vertically integrated operations which helps it to increase efficiencies and offer customisation.
- Experienced promoters and management team.



Threats

- The company has reported losses in the past.
- It has significant indebtedness and carries debt servicing obligations.
- It has substantial working capital requirements and working capital expenditure.
- Operates in a highly competitive market.
- The company does not have repeat orders from its Customers on an annual or bi-annual basis.
- It operates in the capital goods industry which is sensitive to general economic downturns.
- Faces foreign exchange risks.

Valuation and Outlook

The cost of the shares is expected to be between ₹315 and ₹331 each. If we look at the valuation, Jyotii CNC has a P/E ratio of 324x, which is calculated using a price above ₹331 and an FY23 EPS of ₹1.02. This P/E ratio is notably higher than the industry average of 49.55x.

COMPARISON WITH LISTED INDUSTRY PEERS (As of Mar 31,2023)

Name of Company	Consolidated/ Standalone	Face Value (₹ per share)	Revenue from Operations (in ₹ million)	EPS (₹ per share)		NAV (₹ per share)	P/E	RONW (%)
				Basic	Diluted			
Jyoti CNC Automation Limited*	Consolidated	2	9,292.59	0.10	0.10	5.57	-	18.35%
Elgi Equipments Limited#	Consolidated	1	30,406.98	11.72	11.71	43.27	39.59	27.04%
Lakshmi Machine Works Limited#	Consolidated	10	47,191.49	359.47	359.47	2,189.04	37.15	16.42%
Triveni Turbine Limited#	Consolidated	1	12,475.50	5.97	5.97	23.92	64.92	25.32%
TD Power Systems Limited#	Consolidated	2	8,722.97	6.23	6.22	38.74	41.86	16.01%

*Financial information for our Company is derived from the Restated Consolidated Financial Statements as at and for the financial year ended March 31, 2023.

#All the financial information for listed industry peer mentioned above is on a consolidated basis and is sourced from the annual audited financial results of the company for the year ended March 31, 2023.

Sources: RHP

In the fiscal year ending March 2023, the total earnings went up by 24% to reach Rs 929.26 crore. The operating profit margin also expanded by 80 basis points to 10.5%, resulting in a 34% increase in operating profit to Rs 97.38 crore. However, after factoring in increased other income, higher interest, and reduced depreciation, the Profit Before Tax (PBT) showed a loss of Rs 2.60 crore, compared to a loss of Rs 41.75 crore in the same period last year. On the positive side, the net profit was Rs 15.06 crore (as opposed to a loss of Rs 48.30 crore), mainly due to an Extraordinary Income (EO Income) of Rs 30.45 crore, which was zero in FY2022.

Despite these numbers, it's important to note that, in terms of Price to Earnings (P/E), the issue is considered highly overpriced. Considering the financial details, we recommend **avoiding** this Initial Public Offering (IPO). Only aggressive investors might consider adding it to their portfolio for long-term investment.

Disclaimer:



This report is not for public distribution and has been furnished solely for information and must not be reproduced or redistributed to others. None can use the report as a base for any claim, demand or cause of action and, also none is responsible for any loss incurred based upon. The investments discussed or recommended in this report may not be suitable for all investors. Opinion expressed is the current opinion as of the date appearing on the material only.

Further, the information in the document has been printed on the basis of publicly available information; internal data and other sources believed to be true and are for general guidance only but which may have not been verified independently. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no responsibility and assumes no liability for any error/ omission or accuracy of the information. Recipients of this material should rely on their own judgments and conclusions from relevant sources before making any investment.

The investment advice should not be considered to be or taken as an offer to sell or a solicitation to buy/sell any security. Price and value of the investments referred to in this material are subject to volatility. Past performance is not a guide for future performance. Certain transactions -futures, options and other derivatives as well as non-investment grade securities are subjected to substantial risks and are not suitable for all investors.

